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AUTHOR Johnson, Grantland
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ABSTRACT

President Clinton has repeatedly called for a bipartisan welfare reform bill that is tough on work and responsibility, but not tough on children. This means providing adequate child care to enable recipients to leave welfare for work; rewarding states for placing people in jobs; guaranteeing health coverage for families leaving welfare for entry-level jobs; requiring states to continue to invest funds in a work-oriented welfare system; and protecting states and families in the event of economic downturn or population growth. This paper discusses the Clinton administration welfare reform record and changes in federal welfare policy, and it urges the use of new demonstration programs in California, such as the Work Pays Demonstration Project, to evaluate the effectiveness of these reforms. The paper advocates participation and innovation by local communities so that legislative changes help to fight poverty and foster economic development. (WJC)

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CHANGES IN THE PUBLIC POLICY LANDSCAPE. PRESENTATION TO THE "BEYOND BROKEN PROMISES: HELPING CHILDREN AND FAMILIES IN TROUBLED TIMES" CONFERENCE

BY

GRANTLAND JOHNSON
REGION IX DIRECTOR
DEPARTMENT OF HEALTH AND HUMAN SERVICES

SPONSORED BY ACTION ALLIANCE FOR CHILDREN

BAY BRIDGE HOLIDAY INN
EMERYVILLE, CA

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The country is clearly on the verge of a sea change in the major public policy landscape. There are probably multiple reasons why the nation is engaged in a great debate about its future and appropriate role of government. Perhaps the single most significant phenomena is the transformation of the United States economy to an information and serviced based economy; coupled with ever-increasing global economic competition.

Moreover, American society is no longer dominated by agriculture. And, it is a society that is dramatically more diverse than was the case when most of our current governmental structures were first developed.

During the period in which agriculture and industry (based on resource extraction) dominated economic activity, hierarchical and redundant public policy strategies were appropriate. Recall that there existed fewer sources of information available to the public and policy makers. The transportation infrastructure was less well developed. As a result, physical distance was a significant determinant of how human activity was conducted.

However, today social and economic reality is qualitatively different. For example, the United State's population is more demographically, racially, ethnically, and culturally diverse. Most people live within urban communities. Moreover, there are countless and ever-expanding information sources available to the public and policy makers. Equally significant, because of advancements in transportation and telecommunications technologies, physical distance no longer serves as significant a limitation on human activity.

However, the governance institutions and many major public policy strategies have failed to keep-up with these sweeping societal changes. No longer is a "one size fits all" approach to public policy formulation appropriate in light of the incredible diversity of needs and desires of the American public. Indeed, given the incredible array of information sources available, there is less need for decision making to remain cast in a hierarchial mode.

Paradoxically, while the world and the nation draw closer, there are growing numbers of Americans who are increasingly distant from the mainstream. They are marginalized socially, culturally and economically. Oftentimes they are isolated in urban inner-city enclaves, or in remote rural areas. These citizens are for the most part not benefitting from new national economic prosperity.

Moreover, many Americans have simply lost faith in the ability of government -- at all levels -- and in all geographical regions to function effectively. These citizens don't believe

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that government can successfully lead a one-car parade, to use a favored analogy of my boss, President Bill Clinton.

In addition, there is growing economic inequality in American society. Many working people today simply are not achieving success similar to that achieved by workers during the 1960s and early 1970s. Thus, there is wide-spread insecurity about individual economic prospects. Most notable is the growing gap between the well-off and low-income working people.

It is against this backdrop that we are gathered here today to discuss the future prospects of children and their families.

1. REVIEW OF WHERE WE ARE ON WELFARE REFORM

Today I want to focus on one area in which there continues to be contentious debate, and that is welfare reform.

It would be great if I could tell you what the future holds for federal welfare programs, but we're not there. The Administration and Congress have been struggling for months to enact welfare reform.

We want real reform. President Clinton has repeatedly called for a bipartisan welfare reform bill that's tough on work and responsibility, not tough on children. The Administration proposed a welfare reform plan in 1994 and supported the Senate Democratic Leadership's welfare reform bill, both of which would have provided resources and incentives to move people from welfare to work, demand responsibility, and protect children. The President is determined to enact real, bipartisan welfare reform that is motivated by the urgency of reform, rather than by a budget plan contrary to America's values.

Welfare reform must be tough on work, not tough on children. President Clinton vetoed the Republicans' welfare bill because it would have done little to move people from welfare to work and included deep budget cuts and structural changes in child welfare, school lunch, aid for disabled children, and other programs that have nothing to do with welfare reform. In addition, the bill eliminated the guaranteed medical coverage that single parents need as they move into entry-level jobs. It also provided inadequate child care funding and insufficient protection for states and families in the event of economic downturn or population growth.

Our goals are consistent and clear. The President has consistently said that welfare reform is first and foremost about work. That means providing adequate child care to enable recipients to leave welfare for work; rewarding states for placing people in jobs; guaranteeing health coverage for families leaving welfare for entry-level jobs; requiring states to

continue to invest funds in a work-oriented welfare system; and protecting states and families in the event of economic downturn or population growth. It does not mean using welfare reform as a cover for budget cutting at the expense of our poorest children.

We urge Congress to enact bipartisan reform. As the President said in his State of the Union address, we are close to an agreement with Congress on sweeping welfare reform and remain ready at any time to sign a bipartisan bill that gets the job done. However, welfare reform needs to be considered in the context of critical and related issues such as Medicaid and the Earned Income Tax Credit (EITC). There is bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy if this Congress missed the opportunity to achieve it.

2. WE'LL STILL GET THE JOB DONE

Since taking office, the Clinton Administration has granted welfare reform waivers to a record 35 states -- more than the two previous Administrations combined. The President has repeatedly called for bipartisan welfare reform legislation this year. But if Congress fails to send him a bill that gets the priorities straight, President Clinton will continue his commitment to ending welfare as we know it -- one state at a time.

- Currently about 70% of all AFDC recipients or 9.9 million individuals across the nation are in families which are subject to welfare reform provisions, including strengthened work requirements, tougher child support enforcement, time limits and greater requirements for parental responsibility.

- Due both to the Administration's emphasis on welfare reform and its policies to strengthen the economy, the number of AFDC recipients is down by nearly 7 percent since the President took office in January of 1993. This represents about nearly 1 million fewer individuals receiving aid every month. Recently the decrease has been even sharper with a decline of 8 1/2 percent, over 1.2 million individuals, since March of 1994. Finally, the FY94 to FY95 caseload decrease was the first fiscal year decrease since FY87 to FY88.

- California's AFDC caseload has not done quite as well as the national average over the last three years. Over that period, California has seen an increase of 8 percent to over 900,000 cases. More disturbing is the fact that during the last recession, there was a 34 percent increase in the share of Californians receiving AFDC, as compared with 25 percent for the nation as a whole. Clearly more needs to be done to reform

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California's system, which accounts for about 18 percent of all of the cases in the nation.

On a more positive note, California has been a leader in moving ahead with real welfare reform.

- o This Administration has approved four demonstration projects for California.

- o The WORK PAYS DEMONSTRATION PROJECT builds on the previously approved ASSISTANCE PAYMENTS DEMONSTRATION PROJECT (APDP), and implements several promising provisions targeted to assist families in becoming self-sufficient. These include:

- o Increasing allowable resource limits for recipients from $1,000 to $2,000 and the excludable equity value for a vehicle from $1,500 to $4,500;

  - Allowing recipients to establish restricted savings accounts of up to $5,000 which may be drawn on to pay for a child's post secondary education or training, starting business, or the purchase of a home; and

  - Offering recipients and applicants eligible for an AFDC cash payment who have earned income the option of not receiving an AFDC cash payment. If they accept this option, they are considered AFDC recipients for all other purposes, the most critical being eligible for Medicaid.

- o These provisions complement previous provisions under the ASSISTANCE PAYMENTS DEMONSTRATION PROJECT (APDP) which also encourage work and self-sufficiency, especially provisions that:

  - Encourage earnings by extending earned income disregards of $30-plus-one-third indefinitely; and

  - Extending AFDC eligibility to two-parent families when the principal wage earner works 100 hours or more per month.

- o California has continued to build on their efforts through further amendments to the WORK PAYS DEMONSTRATION PROJECT. In September, we approved amendments to this project which allows California to:

  - under certain conditions, require mandatory GAIN participants to participate in a program consisting of up to 100 hours per month of Community Work Experience;

- Extend Transitional Child Care and Transitional Medicaid to those who lose AFDC eligibility due to increased income, increased assets, marriage, or the reuniting of spouses; and

- strengthen penalties for AFDC fraud.

o Another promising demonstration is California's AFDC/FOOD STAMP COMPATIBILITY DEMONSTRATION PROJECT which will test alternative methods and procedures for AFDC and Food Stamp Program eligibility determination which are designed to simplify the eligibility process and reduce errors by aligning the rules of the two programs. Examples include changing both the AFDC and Food Stamp programs to provide common exclusions for nonrecurring gifts and irregular and infrequent income and simplifying the vehicle valuation methodology.

o Finally, we approved a project for San Diego County in December, the SCHOOL ATTENDANCE DEMONSTRATION PROJECT, which requires AFDC recipients ages 16-18 to attend school or participate in JOBS.

Testing these types of interventions in California offer a great opportunity to evaluate the extent to which these efforts generate significant results in promoting work, responsibility and family self-sufficiency.

o And I'm pleased to report on the important progress California has made in child support enforcement. During Federal Fiscal Year 1994, child support collections reached $811 million, an increase of 10.1 percent, and paternity establishment increased by 18.3 percent. As you know, continuing these important gains is crucial to ensuring proper support for California's children.

I'm also pleased to tell you that the alarming trends of increasing teen pregnancy, which increased by 15 percent in the 1980s, has now leveled off and begun to decrease. We can and must do more to stop children from having children.

So it's clear that welfare reform is already happening. Next I will discuss some of the changes in federal welfare policy, for you to keep in mind as the debate moves forward.

3. AS YOU CONSIDER STATE INITIATIVES, THESE ARE THINGS TO KEEP IN MIND

Consistent with California's experiences, there is general consensus in Washington that real welfare reform must emphasize work. All welfare bills considered by Congress, sponsored by

both Democrats and Republicans, would impose tough work requirements. However, in order to make it possible for states to meet these requirements, funding is needed for child care and work programs. One concern with the legislation recently vetoed by the President is that compared to the Senate bill, the Conference agreement would require states to increase the number of recipients in work in FY 2002 by 60 percent without providing any additional funding for work activities. The Clinton Administration is committed to enactment of welfare reform with real and achievable work requirements.

All welfare plans being considered, would greatly increase state flexibility.

One major point of disagreement is over the type of federal-state partnership for welfare programs. Over the last 60 years, this partnership involved sharing the actual costs for running the programs, and sharing in the design of welfare programs. The vetoed Republican welfare proposal would end this partnership, and replace it with lump sum payments to states that would not be flexible in order to address changing circumstances. Concerns with this approach are:

- CHANGES IN DEMOGRAPHICS. California's population increased by 25.7 percent during the 1980s as compared to 9.5 percent for the nation. Fixed block grants cannot adjust to such changes in population, which would force the state to bear the entire cost of services for these new families.

- CHANGES IN ECONOMIC CONDITIONS. While the economy for the entire nation is relatively stable from year to year, conditions in individual states can vary widely. California's poverty rate from 1979 to 1993 increased by 6.8 percent to 18.2 percent, double the increase for the rest of the nation. Under the current funding structure for welfare programs, the federal contribution to California automatically increases when conditions get worse. Block grants would leave California to bear the full responsibility for dealing with these costs.

Some may argue that the vetoed bill contained a "contingency fund" to deal with these changing economic conditions. But as proposed, the contingency fund contained only $800 million for the entire nation. Between 1988 and 1992, the last period of recession, AFDC benefit expenditures increased by $5.6 billion, of which the Federal government automatically contributed $3.1 billion. The $800 million included in the vetoed bill clearly would have been insufficient to meet future needs, and that's why the Clinton Administration expressed serious concerns with these provisions.

The last change that may be coming out of Washington, and

one that I know is very important for California, is changes in immigration policy.

The Clinton Administration is very concerned with illegal immigration, and that is why the Department of Justice has taken major steps to emphasize prevention of illegal entry through our borders.

For welfare programs, the Administration is committed to ensuring that sponsors of immigrants live up to their responsibilities. The important deeming requirements we have proposed honor our commitment to legal immigrants, are tough on those who try to evade our laws, and protect vital resources for our citizens.

However, some of the proposals in the welfare reform legislation vetoed by the President would go further and punish legal immigrants. Over 1 million LEGAL immigrants would be denied SSI, Food Stamps, AFDC and Medicaid under the proposed legislation. Further, it would make most legal immigrant children and adults who have become severely disabled after their entry into the U.S. ineligible for assistance.

Protecting our borders from illegal immigration and holding sponsors accountable for their commitments are responsible measures to protect our resources. But the far-reaching proposals in the vetoed welfare bill are extreme and inconsistent with our National values.

4. MOVING FORWARD

It is important to distinguish welfare rhetoric from welfare reform. Punitive policies that force families into poverty, reducing benefits to families that play by the rules and are looking for work, and massive budget cuts are not welfare reform.

- Between 1990 and 1996, California's AFDC benefits for a family of three declined by over 25% in real dollars to $607 per month. This does not even include the additional benefit cuts of about $50 per month that have not been approved by HHS. Will further reducing families' benefits make the difference in moving single parents into the workforce, or will it cause just the sort of family crises that make it impossible for welfare mothers to succeed in lifting themselves out of poverty?

In contrast, I previously highlighted important steps that California has taken toward achieving real welfare reform. California's early and large financial commitment to employment and training provided critical input in the quest to find ways to break the cycle of dependency through work. The results of the

Riverside experiment have been extraordinary -- through an unyielding emphasis on work, earnings were raised by over $3,100 per year, or 49%, and welfare payments were reduced by almost $2,000 per year. Of particular note in the climate of constrained budgets, the Riverside experiment returned $2.84 to taxpayers for every $1 invested. An important issue for California's policy makers as they move forward in reforming the welfare system is to learn how to replicate the Riverside model in other parts of the state.

Clearly, major legislative changes are in the offering. I believe that it important for those who are advocates for children and families not to sit idly by while momentous change is occurring. It is particularly critical that local communities engage in efforts to bring about innovative approaches to fighting persisted poverty that are family focused and neighborhood based. In addition, a closer collaborative relationship between economic development efforts and integrated human services efforts will be particularly significant.

Again change in inevitable. It is already in progress. Now is not the time for passivity or resignation. The historical challenge before us is whether or not we have the will and determination to remake America-- into a more just society?